

2. A skilled nursing facility that is a distinct part of a general acute care hospital as defined in Section 72041 of Title 22 of the California Code of Regulations.
 3. A subacute care program, as described in Section 14132.25 or subacute care unit, as described in Sections 51215.5 and 51215.8 of Title 22 of the California Code of Regulations.
 4. An adult day health care center.
- K. 1. Medi-Cal reimbursement rates applicable to the classes of facilities listed below for services rendered during the 2009-10 rate year, and each rate year thereafter, will not exceed the reimbursement rates that were applicable to those facilities and services in the 2008-09 rate year.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
 - Small and Rural Hospitals
 - Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
 - Freestanding Pediatric Subacute Care Units
 - Intermediate Care Facilities for the Developmentally Disabled (including Habilitative, Nursing and Continuous Nursing)
4. 2. Medi-Cal payments that would otherwise be paid for the services listed below under the current rate methodology subparagraph K.1. shall will be reduced by 5% percent for dates of service on or after October 1, 2010, through and including May 31, 2011.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
 - Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
2. ~~The payment reductions specified in paragraph (1) above shall not apply to small and rural hospitals, as defined in Section 124840 of the California Health and Safety Code.~~
3. ~~Medi-Cal reimbursement rates applicable to the classes of facilities~~ payments that would otherwise be paid for the services ~~listed below for services rendered during the 2009-10 rate year, and each rate year thereafter, shall not~~

~~exceed the reimbursement rates that were applicable to those facilities and services in the 2008-09 rate year. The rates resulting from the application of this Paragraph K.3 will not be further reduced pursuant to Paragraph K.1.~~
under subparagraph K.1. will be reduced by 10 percent for dates of service on or after June 1, 2011.

- Nursing Facilities – Level A (NF-A)
- Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
- Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
- Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
- Intermediate Care Facilities for the Developmentally Disabled (ICF/DD), including ICF/DD-Nursing, ICF/DD-Habilitative, and ICF/DD-Continuous Nursing facilities.

4. The payment reductions specified in subparagraphs (4) K.2. and K.3. above shall do not apply to small and rural hospitals, as defined in Section 124840 of the California Health and Safety Code.

5. For dates of service on and after June 1, 2011, Medi-Cal reimbursement rates applicable to freestanding pediatric subacute care units will be subject to a 5.7 percent payment reduction, based on the rate on file as of May 31, 2011.

4. 6. The payment limitations and reductions in this Paragraph K will not be implemented to the extent that they are subject to an injunction or other court order (or orders) that prohibits or restricts their implementation.

V. DETERMINATION OF RATES FOR NEW OR REVISED PROGRAMS

- A. When State adopts a new service or significantly revises an existing service, the rate of reimbursement shall be based upon comparable and appropriate cost information which is available. Comparable rate and cost data shall be selected and combined in such a manner that the rate is reasonably expected to approximate median audited facility costs, had accurate cost reports been available for the particular class of facility. Such factors as mandated staffing levels and salary levels in comparable facilities shall be taken into account. This method of rate-setting shall ordinarily be relied upon to set rates only until such time as accurate cost reports which are representative of ongoing operations become available.
- B. When it is determined that cost report data from a class of facilities is not reliable for rate-setting purposes due to inaccuracies or reporting errors, a random sample of such facilities shall be selected for audit and the resulting audited costs shall be used for the rate study. After five years from the end of the fiscal year in which a facility begins participating in a program for Medi-Cal reimbursement, the

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reimbursement rate methodology will either revert to the provisions described in Section I through IV of Attachment 4.19 – D or be subject to new provisions as described in a State Plan Amendment.

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